Now, copies of the statement should be distributed.

———

CALLING ATTENTION TO A MATTER OF URGENT PUBLIC IMPORTANCE

Situation arising out of large scale disinvestment in Public Sector Undertakings

श्री जगदीश प्रसाद माथुर (उत्तर प्रदेश): उपसभापति महोदया, मैं सरकारी क्षेत्र के उपक्रमों में बड़े पैमाने पर विनिवेश से उत्पन्न स्थिति की ओर वित्त मंत्री का ध्यान दिलाता हूं।

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Madam, during the year 1991-92, the Government disinvested a portion of its equity holding in 30 PSUs in favour of public sector mutual funds, banks and financial institutions through competitive bidding and realised a sum of Rs. 3038 crores. In recent weeks, there has been extensive media coverage and criticism of the disinvestment. Much of this is based on the Report of the Comptroller and Auditor General. I would like to respond to the main criticisms that have been made by stating that I believe that Government's bonafides in this matter are above reproach, and that the disinvestment has been conducted properly with full Cabinet authority and with no impropriety.

2. The most important criticism relates to the alleged loss to Government on account of various factors such as the change in the reserve prices fixed, the decision to restrict bidding to public sector mutual funds, banks and financial institutions and even the decision to bundle shares. It has also been alleged that the programme of disinvestment was implemented in haste, on account of commitments to the IMF. I would like to state categorically that those criticisms are entirely unfounded.

3. There have also been allegations that certain financial institutions committed irregularities in collusion with brokers which led to improper gains accruing to brokers. These are being looked into.

4. I am separately laying a more detailed Statement on the Table of the House which summarises the background of Government decision making and approval on this subject and responds to the several criticisms about the disinvestment programme which have been made in recent weeks.

DETAILED STATEMENT ON PUBLIC SECTOR DISINVESTMENT

There has been extensive press reporting and criticisms of the PSU Disinvestment exercise based mainly on the recent CAG report on the subject. Part I of this note summarises the background to the sale and the various steps in the process of Government decision making. Part II deals with specific criticisms.

I. GOVERNMENT DECISION ON SALE OF PSU SHARES:

2. The proposal for disinvesting a part of Government shareholding in selected public sector undertakings (PSUs) has been under consideration since 1990. The Department of Economic Affairs first submitted a note dated 22 February 1991 to the Cabinet Committee on Political Affairs (CCPA) of the previous government in which the following proposals were noted.

(i) Establishment of a Mutual Fund for investing in the shares of selected PSUs.

(ii) Partial disinvestment of the shares held by the Government in selected PSUs in favour of public financial and investment institutions.

(iii) Possible disinvestment of a portion of Government shareholding in ONGC.

3. The above proposals were approved by the CCPA at its meeting held on 27 February 1991. The then Finance Minister Shri Yashwant Sinha, presenting the Budget for 1991-92 (Interim) stated:

> "It has been decided that Government would disinvest upto 20 per cent of its equity in selected public sector undertakings, in favour of mutual funds and financial or investment institutions in the public sector. This disinvestment, which would broad-base the equity, improve management and enhance the availability of resources for these interprices, is also expected to yield Rs. 2500 crores to the exchequer in 1991-92".

4. The Statement of Industrial policy dated 24 July 1991 contained the following decision:

> "In order to raise resources and encourage wider public participation, a part of the Government's shareholding in the public sector would be offered to